

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SAB-01 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 /085 W

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R 141610Z JAN 76 ZDK

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 6319

INFO PANCANAL

USCINCSO

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E.O. 11652: N/A

TAGS: PFOR, ECON, PN

SUBJECT: LOCAL IMPACT OF POSSIBLE PANCANAL FORCE REDUCTIONS

REF: PANAMA 7290

SUMMARY: POSSIBLE REDUCTIONS IN PANCANAL WORK FORCE
CONTINUE TO DRAW ADVERSE LOCAL COMMENT. AT TIME OF
ECONOMIC DIFFICULTY, ISSUE HAS POTENTIAL OF BECOMING
CONSIDERABLE PUBLIC RELATIONS PROBLEM FOR UNITED
STATES. END SUMMARY.

1. DECLINE IN CANAL TRAFFIC, CANAL COMPANY FINANCIAL
PROBLEMS, AND CONSEQUENT POSSIBILITY OF SEEKING
OPERATIONAL ECONOMIES THROUGH REDUCTIONS IN WORK
FORCE HAVE BEEN REPORTED IN LOCAL PRESS AT INTERVALS
OVER PAST FEW MONTHS. THESE REPORTS HAVE MET WITH CON-
SISTENTLY ADVERSE COMMENTS FROM EDITORIALS AND
COLUMNISTS; LEAD EDITORIAL OF PRO-GOP "DOMINICAL"
JANUARY 4, FOR EXAMPLE, EQUATED PANCANAL ECONOMY MEASURES
TO CASE OF FAMILY FACING FINANCIAL STRINGENCY BUT UNWILLING
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TO DO WITHOUT LUXURY TO ECONOMIZE.

2. UNIONS REPRESENTING PANAMANIAN EMPLOYEES OF CANAL COMPANY ARE NOT AFFILIATED UNDER LOCAL LAW WITH DOMESTIC LABOR MOVEMENT. HOWEVER, OFFICIALS OF BOTH AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES AND NATIONAL MARITIME UNION HAVE ISSUED PUBLIC STATEMENTS TO LOCAL PRESS CONDEMNING REDUCTIONS IN PANAMANIAN LABOR FORCE FOR ECONOMY REASONS AND VOWING TO FIGHT SUCH REDUCTIONS.

3. SITUATION IS COMPLICATED BY CASE OF FRANKLIN CASTRELLON, A PANAMANIAN EMPLOYEE OF CANAL COMPANY INFORMATION OFFICE WHO WAS INFORMED IN DECEMBER THAT HE (ALONG WITH THREE U.S. EMPLOYEES IN SAME OFFICE) WOULD BE SUBJECT TO RIF FOR ECONOMY REASONS. PANCANAL HAS POINTED OUT THAT CASTRELLON WAS AMONG LEAST SENIOR EMPLOYEES IN OFFICE. CASTRELLON HAS PUBLICLY CHARGED THAT HIS DISMISSAL IS FINAL ACT IN A CAMPAIGN OF HARRASSMENT BEGUN BY HIS SUPERIORS WHEN HE SIGNED A PETITION BY LOCAL JOURNALISTS' UNION FAVORING GOP POSITION IN TREATY NEGOTIATIONS (PUBLISHED ARTICLES HAVE REFERRED TO AN "OUTSTANDING" PERFORMANCE RATING WHICH HE RECEIVED PRIOR TO SIGNING THIS PETITION). THIS UNION HAS MADE HIS CASE A CAUSE CELEBRE (CASTRELLON IS AN OFFICER OF THE UNION) AND IT HAS SINCE RECEIVED FREQUENT PRESS COVERAGE, ALL HIGHLY ADVERSE TO PANCANAL. UNION PRESIDENT (IN PRO-GOP "MATUTINO" JANUARY 5) USED CASTRELLON CASE AS STARTING POINT FOR DISPARAGING EXAMINATION OF PANCANL ADMINISTRATIVE PRACTICES, WHICH HE CONCLUDED, WERE THE SOURCE OF MOST OF COMPANY'S FINANCIAL DIFFICULTIES. LEAD EDITORIAL OF PRO-GOP "CRITICA" JANUARY 6, CITING THIS ARTICLE, STATED "THERE IS NO DOUBT THAT THE 'ALLEGED ECONOMIC CRISIS' OF THE CANAL TURNS OUT TO BE A MIRAGE".

4. A NUMBER OF PANAMANIAN, IN PRIVATE CONVERSATIONS, HAVE ALSO OBJECTED TO AND/OR EXPRESSED CONCERNS ABOUT, POSSIBLE PANCANAL REDUCTIONS IN FORCE. THE LIMITED OFFICIAL USE

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REASONS GIVEN FOR THIS VIRTUALLY UNANIMOUS LOCAL REJECTIONS OF RIFS BOIL DOWN TO SOME COMBINATION OF THE FOLLOWING ASSERTIONS:

A. DISBELIEF THAT FINANCIAL PROBLEM EXISTS, OR, IF IT DOES, THAT IT IS GREAT ENOUGH TO WARRANT A PERCEPTIBLE REDUCTION IN FORCE.

B. PROBLEM IS ARTIFICIAL (I.E., DUE TO BOOKKEEPING PRACTICES), OR IS UNWARRANTABLE DUE TO CHARGING AGAINST CANAL REVENUES COSTS OF EXCESSIVE PRIVILEGES ENJOYED ONLY BY AMERICANS, AND/OR "CONCEALED SUBSIDIES" TO OTHER U.S. GOVERNMENT (I.E., MILITARY) AGENCIES.

C. DECISION TO CUT COSTS, RATHER THAN RAISING TOLLS, IS U.S. ACTION, ADVERSE TO PANAMA, TO FAVOR U.S. USERS OF CANAL.

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ACTION ARA-10

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INFO PANCANAL

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D. REDUCTIONS IN FORCE WILL FALL PREDOMINANTLY ON LOWER-PAID PANAMANIAN EMPLOYEES DUE EITHER TO OUTRIGHT ANTI-PANAMANIAN PREJUDICE, OR TO DESIRE OF AMERICAN ESTABLISHMENT TO PROTECT ITS (HIGHER-PAID) MEMBERS AND THEIR PRIVILEGES; AMERICAN EMPLOYEES OUTGHT TO BEAR AT LEAST EQUAL SHARE OF BURDEN OF ECONOMIES, AND THIS IS NOW SAID NOT TO BE THE CASE.

5. COMMENT: PANCANAL'S ECONOMIC PROBLEMS AND DECLINE IN TRAFFIC COME AT A TIME OF A LOCAL ECONOMIC SLOWDOWN. INCREASING GENERAL CONCERN ABOUT THE

ECONOMY, AND PARTICULARLY ABOUT UNEMPLOYMENT--
WHICH WOULD ONLY BE AGGRAVATED IF PANCANAL WERE TO
CARRY THROUGH WITH SUBSTANTIAL RIFS--UNDERLAYS
MANY OF THE COMMENTS MADE LOCALLY. IN ADDITION, ANY
SUCH ACTION BY PANCANAL WOULD RUN DIRECTLY COUNTER
TO INCREASING GOVERNMENT EFFORTS TO DO SOMETHING
POSITIVE ABOUT THE ECONOMY. THE CASTRELLON CASE
HAS SEVERAL BAD SIDE EFFECTS IN THIS REGARD. THE
LOCAL JOURNALISTS' UNION DOES NOT APPEAR READY TO
LET THE ISSUE DIE AND IT IS VERY LIKELY THAT PUBLIC
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TREATMENT BY LOCAL JOURNALISTS OF OTHER DISMISSALS
OF PANAMANIAN WILL BE UNFAVORABLE TO COMPANY.
TREATMENT OF CASE HAS ALSO CREATED PREDISPOSITION
TO CONSIDER RIFS IN "NATIONALISTIC" TERMS WHICH
OBSURE DISCUSSION OF THE REAL REQUIREMENT FOR
SOME MEASURES TO DEAL WITH FINANCIAL PROBLEM.
AT BOTTOM, HOWEVER, CASE MADE BY RESPONSIBLE PANAMANIAN
AGAINST RIF ACTIONS DOES NOT APPEAR HYPOCRITICALLY
FOUNDED ON EITHER EXPLOITATION OF CASTRELLON CASE
OR ON CONCERN AT ECONOMIC ILL-EFFECTS (ALTHOUGH
THE LATTER IS AN IMPORTANT COROLLARY FACTOR).
RATHER, WE OBSERVE AN HONEST LACK OF UNDERSTANDING
OF PANCAN'S FINANCIAL REALITIES, AND A SINCERE
PERCEPTION THAT THE PANAMANIAN BASE OF THE LABOR
FORCE WILL BEAR A SHARE OF THE "ECONOMY" BURDEN
DISPROPORTIONATE TO THAT BORNE BY THE AMERICAN
TOP. THIS IS AGGRAVATED BY GENERAL UNCERTAINTY AS TO
WHETHER MORE RIFS WILL COME, AND HOW
GREAT THEY MAY BE. IT IS POSSIBLE THAT AN EXPANDED
EFFORT BY THE CANAL COMPANY TO ACQUAINT INFLUENTIAL
PANAMANIAN DECISION-MAKERS WITH THE REALITIES OF THE
COMPANY'S FINANCIAL TROUBLES, ACCOMPANIED BY TIMELY
ADVANCE CONSULTATION ON ANY PLANS FOR RIFS OF
PANAMANIAN EMPLOYEES WITH CONCERNED GOP OFFICIALS,
WOULD AMELIORATE THAT PART OF THE PROBLEM WHICH
ARISES OUT OF HONEST MISAPPREHENSION ABOUT THE
CANAL'S FINANCIAL SITUATION. NEVERTHELESS, IF
FURTHER RIF ACTIONS BEYOND THOSE ALREADY ANNOUNCED ARE NECESSARY,
OUR ASSESSMENT IS THAT THIS WOULD HAVE THE POTENTIAL
OF BECOMING A CONSIDERABLE PUBLIC RELATIONS PROBLEM
FOR THE UNITED STATES IN THE REPUBLIC. END COMMENT.
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